

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Global Reseller Expedited Package Contracts 2  
(MC2013-51)  
Negotiated Service Agreement

Docket No. CP2016-166

ORDER APPROVING MODIFICATION TO  
GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 2 NEGOTIATED  
SERVICE AGREEMENT

(Issued August 29, 2016)

I. INTRODUCTION

The Postal Service seeks to modify a Global Reseller Expedited Package Contracts 2 negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Modification.

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<sup>1</sup> Notice of the United States Postal Service of Filing Modification One to a Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, August 16, 2016 (Notice). The Modification is an attachment to the Notice (Modification).

In Order No. 3316, the Commission approved the Global Reseller Expedited Package Services 2 negotiated service agreement (Existing Agreement).<sup>2</sup> On August 16, 2016, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement.

On August 17, 2016, the Commission provided public notice of the Postal Service's filing; reopened this docket to consider the Modification, appointed a Public Representative, and provided interested persons with an opportunity to comment.<sup>3</sup> On August 22, 2016, the Commission issued a Chairman's Information Request to clarify information related to the financial models filed by the Postal Service under seal.<sup>4</sup> The Commission subsequently issued Order No. 3475 extending the comment deadline by two days to allow interested persons sufficient time to review the Postal Service's responses to CHIR No. 1 before submitting comments.<sup>5</sup> The Postal Service responded to CHIR No. 1 on August 24, 2016.<sup>6</sup>

The Postal Service will notify the contract partner of the effective date of the Modification within 30 days of receiving approval from the Commission for the Modification. Notice, Attachment 1 at 1. The Postal Service filed supporting financial documentation and a certified statement that the Modification will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment 2 at 1.

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<sup>2</sup> See Docket No. CP2016-166, Order Approving Additional Global Reseller Expedited Package Services 2 Negotiated Service Agreement, May 23, 2016 (Order No. 3316).

<sup>3</sup> Docket Nos. CP2016-166, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 17, 2016.

<sup>4</sup> Chairman's Information Request No. 1, August 22, 2016 (CHIR No. 1).

<sup>5</sup> Order Extending Comment Deadline, August 23, 2016 (Order No. 3475).

<sup>6</sup> Response of the United States Postal Service to Chairman's Information Request No. 1, August 24, 2016 (Response to CHIR No. 1).

## II. COMMENTS

Comments were filed by the Public Representative.<sup>7</sup> No other person submitted comments. The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, she concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, the Postal Service's Response to CHIR No. 1, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification amends Article 6 of the agreement, which changes what prices a reseller may offer for certain customers, and adds an additional price table into the agreement as Annex 3. Notice at 1.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Reseller Expedited

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<sup>7</sup> Public Representative Comments Concerning Modification One to Global Reseller Expedited Package Contracts 2 Negotiated Service Agreement, August 24, 2016 (PR Comments).

Package Contracts 2 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Reseller Expedited Package Contracts 2 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

*Other considerations.* The Postal Service states that will notify the contract partner of the effective date of the Modification within 30 days of receiving approval from the Commission for the Modification. Notice, Attachment 1 at 1. The Postal Service shall promptly notify the Commission of the effective date of the agreement. The Existing Agreement, as modified, is set to expire one calendar year after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>8</sup>

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

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<sup>8</sup> Docket No. CP2016-166, Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement, May 12, 2016, Attachment 1 at 3. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Global Reseller Expedited Package Services 2 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission promptly of the Effective Date of the Modification.
3. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary